4.1 INTRODUCTION

Life insurance has historically been an important method through which individuals with relatively low incomes have been able to save and invest effectively for the longer term. By designing relatively simple life insurance and savings contracts, which can be purchased in small amounts on a regular basis, insurance companies have been able to accumulate large amounts of money from across a large proportion of the population. By pooling these savings from many small investors into large accumulations of investable funds, insurance companies have been able to resort to wider range of investments.

In life insurance there is a regular or contractual nature to the payment of premiums by consumers, and the level and stability of personal saving is increased. This contractual nature of the premium payment system in life insurance has been reinforced by insurance companies developing good marketing strategies in order to encourage individuals to save. The efforts of insurance companies in creating effective sales and marketing techniques have played a key role in the growth of the life insurance business.

Life Insurance Marketing is one of the most strenuous jobs for those who are involved in the insurance marketing. It is because of the ever lasting conflict between the insurance companies which want to profit the most and the insured person who wants to get as much compensation as possible from the insurance
company. Commissions for the Life Insurance companies are very high and they seldom make profits out of the policies. Also the insurance policy needs to be transparent so that the potential customer understands it totally and should not feel that they have been treated unfairly by the insurance company.

This chapter presents life insurance marketing in general, life insurance marketing in India, development of life insurance markets, government role in development of life insurance market and marketing mix of life insurance marketing and so on.

4.2 LIFE INSURANCE MARKETING IN INDIA

The Life Insurance market in India is an underdeveloped one that was tapped by the state-owned LIC until the entry of private players in the market. Insurance products reached only 19 per cent of the 400 million of the insurable population\(^1\). The state owned Life Insurance Corporation sold insurance only as a tax instrument and not as a product that gave protection. Most of the customers were under-insured with no transparency in the products. With the coming of the private insurers the rules of the game have changed.

The 12 private insurance companies offering life products in India have grabbed nearly 9 per cent of the market in terms of premium income. The new business premium of the 12 private players has tripled over the couple of years. Meanwhile, the state owned Life Insurance Corporation's new premium business
has fallen steadily. And in the coming days more private players are to join the market.

Innovative products, smart marketing strategies and aggressive distribution networks have enabled the private insurance providers to attract Indian customers faster than anyone ever expected. Indians, who always looked at life insurance as a tax saving device are more aware about the need for having insurance for life. People are now suddenly turning to the private sector and buying new innovative products on offer.

The growing popularity of the private insurers is overwhelming but the state owned insurance companies still dominate segments like endowments and money back policies. The private insurers have taken over 33 per cent of the market in the annuity or pension products. And in popular unit-linked insurance schemes they have a virtual monopoly, with over 90 per cent of the customers.²

Private insurers are scoring big in other ways. They are persuading people to take bigger policies. The average size of a life insurance policy before privatization was around Rs.50,000. That has risen to about Rs.80,000. But private insurance companies are way ahead in this game and the average size of their policies is around Rs.1.1 lakhs to Rs.1.2 lakhs, way bigger than the industry average. By these super success stories, all private insurers are moving to the second phase of their expansion plans. The aggressive drive of private insurers is
paying rich dividends. But LIC is also not lagging behind. It is trying to fight back and woo new customers by introducing newer products and quality service.  

4.3 PATTERN OF DEVELOPMENT IN LIFE INSURANCE MARKETS

The life insurance markets tend to take time to develop, often developing later than banks and non-life insurance companies. This reflects the fact that long term savings across the population as a whole increase as standards of living rise and longevity also increases. As GDP per head within an economy remains low, spending on life insurance remains low, often growing less than the growth of GDP. But as GDP per head increases beyond a certain threshold, spending of life insurance begins to accelerate. At very high level of GDP per head, the rate of acceleration tends to slowdown, partly due to the fact that wealthier economies tend to have older populations who begin to draw down their savings during retirement.

It is difficult to generalise on how life insurance products change and widen in scope as a life insurance market matures. There is interplay of economic, political and cultural and commercial factors at work, which vary from country to country. Nevertheless, there are two aspects of product development that have been evident in many countries. First one is that life insurance products tend to move from having a primary emphasis on insurance protection towards a greater savings role, especially saving for retirement purposes. Second, there is a move
away from simple products sold either on an individual or group basis, to more complex products sold mainly on an individual basis.

4.4 GOVERNMENT’S STIMULATION OF THE DEVELOPMENT OF LIFE INSURANCE SECTOR

There are certain policy issues that governments can do to stimulate the growth of its national life insurance industry, which are as follows:

4.4.1 Regulations

Insurance regulation should not be too restrictive in the classes of life and pension products that a life insurance company is able to offer. Consumers need to have a choice. In addition, it is important that the regulation of insurance company funds is not too restrictive since such regulations can reduce the rates of return that policyholders earn on their savings, compared to other long term saving alternatives. Moreover, it should note that undue restrictions on investment policy also inhibit new life and pension product development. A regulatory balance has to be struck between ensuring sound investment policies of life insurance companies, which reflect the nature of the local capital market, and allowing insurance companies to earn competitive rates of return on the savings of policyholders.

4.4.2 Supervision

The government must create a sound but flexible system of regulation and supervision. It is important that there is a sound system of regulation and
supervision in place to give confidence to the public. Experience shows that the insolvency of one life insurance Company can undermine the public confidence in the whole sector. In addition, the marketing of life insurance also requires supervisory attention. Agents, brokers and other insurance intermediaries advising and selling to the public must meet minimum competence and ethical standards. Professional education standards for agents and brokers should be required.

4.4.3 Tax Incentives

Individuals often need to be given incentives to save for the long term rather than consume. They tend to be myopic. Hence governments in most countries grant tax incentives to encourage this process of transfer. This is especially so for saving products linked to retirement purposes. Tax incentives can be in terms of income tax deductibility on premiums paid, favourable tax treatment on the policy proceeds at the termination of a life insurance contract, and the tax treatment of the life insurance company itself. These tax subsidies, where they exist, are viewed by governments as a good investment for the tax payer, since the taxes foregone are expected to be more than offset by lower tax support needed in the future.

4.4.4 Liberalising the Domestic Market

Life insurance markets grow faster if they are open to foreign competition than if they are closed. Foreign life insurance brings new products, new marketing
and distribution techniques and new methods of management and organisation. Efficient management of a life insurance depends more and more on up-to date Information Technologies systems, including specialist software. Foreign life insurance companies which enter a country have to take a long term view on their investment, since profitability from a life insurance operation takes a long time to emerge. Hence compared to some other industries, including non-life insurance, life insurance companies can be expected to be more committed to long-term in the market. There are three main entry strategies for a foreign life insurance company: such as establishment of a new local life insurance company, a take-over of a local company and joint venture with a local partner. In an emerging market, governments must decide for themselves what should be the balance between domestic and foreign ownership in the short term, but in the longer term the balance is determined by market forces.

### 4.4.5 Recognising a Partnership Role in Pensions Reform

Governments can encourage the growth of the life insurance industry by recognising that it wishes to be a long-term partner in pension provision. If government wishes to transfer some of its own traditional responsibilities to the private sector, the life insurance industry will inevitably be one of the key partners in this. A stated philosophy of partnership, together with a long term consistent strategy which does not change as governments themselves change from election
to election, will encourage more investment by the life insurance industry, both domestic-owned and foreign-owned. But the local life insurance industry itself will have to convince the government that it can deliver in such partnership arrangement.

4.4.5 Public Education

Finally, the government can stimulate the growth of the life insurance sector by encouraging better understanding of personal saving and financial planning through education. This can be done by widening the teaching curricula in schools and universities. In a number of countries, increasing public awareness can be effectively carried with the local insurance industry sponsoring educational material, under guidelines set by the Ministry of Education.

4.5 LIFE INSURANCE MARKETING STRATEGIES

Marketing strategy is the heart of a marketing plan. It is a comprehensive plan of action designed to meet the needs of a certain enterprising community operating in a particular environment. It is based on corporate marketing objectives and it is implemented my marketing mix. The ideal marketing strategy would achieve optimum utilizations of all the resources of the firm. Marketing strategy formulation generally involves the following

1) Determination of marketing objectives

2) Generating alternative marketing mix option
3) Selecting the most profitable marketing mix option

4) Creating condition for implementing the marketing mix

The marketing strategy of LIC of India can be made unique by emphasizing certain elements of marketing mix. The needs of developing marketing strategies by LIC of India are highlighted by the fact that the present day and the future LIC of India are different from the LIC of India today. Frederick Seedom stated that “a marketing strategy should be based on general corporate and specific objectives. The corporate objectives should be based on profit, growth and size and market share.”

The following are the marketing strategies adopted by the life Insurance Corporation of India:

1. A very common way to promote a Life Insurance Corporation through life insurance marketing is to make the name of the corporation familiar to others by means of television commercials, handling out pamphlets, hanging banners in populated areas and by providing exciting offers.

2. Telephone marketing is another way of life insurance marketing. One can see the telephone companies send messages about various offers and they even make phone calls.

3. Web Insurance Marketing is another good strategy to promote insurance policies. The pop ups that one sees while using Internet are actually a
very effective way of sending messages across the potential insurance customers.

4. One should listen to the existing life insurance policyholders as well as the potential life insurance policyholders and listen to what people who actually matters have to say. One common problem that the insured persons face is that the insurance corporations do not inform its clients about the hike in the premium rates. These things should be kept in mind. Not only that, a client should be informed about everything related to his policy but also the life insurance corporation should keep up the transparency as much as possible.

5. Community life insurance marketing is another different way to get promotion and a high recognition for the Life insurance Corporation. Eminent workers join local community institutions, such as Chamber of Commerce and by signing up there one can help out various projects that take place. These kinds of activities and social works on behalf of the Life Insurance Corporation helps the LIC of India to get free publicity as their names are published in the news paper and in the media also. Doing charity works also helps the Life Insurance Corporation to come across various people who act as volunteers and potential life insurance clients. People also like to deal with like minded people and companies and this is how many deals are made.
6. A Life Insurance corporation should not charge different Life insurance clients different charges for the same policy. This kind of policy gives the life insurance policy holders the feeling that they are being treated unfairly and also that the Life Insurance Corporation is only looking for profits and not the betterment of customer welfare.

7. When a life insurance claim is filed, especially for a very hefty amount, the Life Insurance Corporation should help out the policy holder in processing out the paperwork. One should not let bureaucracy enter and make it so difficult for the one making the claim so that he gives up his claim. This has always been a common tactic on the insurance corporation’s part to avoid paying claims asked for by the policy holder. Through this makes a short term profit for the LIC of India, it hurts in the long run as the reputation of the company is hampered severely.

8. People in this life insurance industry should always try to keep in constant contact with the existing customers as well. The competition in the insurance market is so fierce today that no company wants to surrender customer to another company. Clients who are not contacted for a longer period of time normally fail to remain loyal to the insurance company and look for a different life insurance company. The company can keep the records of the client's birthday and days like anniversary and
sent him or her small tokens of love or loyalty at a regular basis. If the company can afford a little more it can send dinner coupons to the life insurance policyholder. These things play a major role and can be considered as an effective life insurance marketing strategy.

9. The most crucial thing in insurance marketing is to always speak about unity and honesty while dealing with a business. A life insurance policyholder can find so many f
dnants in various life insurance companies today, that life insurance customers are going for products and services which are trustworthy to them. Feeling safe about insurances and other things is the most important one as far as the insurance holder is concerned. So, if a company remains loyal to its customers it will do life insurance marketing for itself. So, only by remaining loyal to its customers the company can do a world of good to its reputation and this would in itself bring more potential life insurance holders to the company, because the customers prefer safety more than anything else these days.\(^5\)

### 4.6 ELEMENTS OF MARKETING MIX

The marketing mix is the combinations of marketing activities that an organisation engages in so as to best meet the needs of its targeted market. The Insurance business deals in selling services and therefore due weightage in the formation of marketing mix for the Insurance business is needed.\(^6\) The marketing mix includes sub-mixes of the 7 P’s of marketing such as:
1. Product
2. Price
3. Promotion
4. Place
5. People
6. Physical Evidence/attraction
7. Process

A successful and effective marketing strategy would depend on the correct marketing mix. This should be taken care of by the LIC of India to achieve marketing objectives. The components of marketing mix are explained below:

4.7 PRODUCT

Product is the first and foremost ingredient in the marketing mix and all other elements revolve around the product. It is the centre of business activity. It is a set of tangible and intangible attributes including packaging, colour, manufacturers’ prestige, retailers’ prestige and so on. A product means what we produce. If we produce goods, it means tangible product and when we produce or generate services, it means intangible service product. A product is both what a seller has to sell and a buyer has to buy. Thus, an Insurance company sells services and therefore services are their products.
Kolter defined products as “anything that can be offered to market for attention, acquisition, use or consumption that might satisfy a want or need”.

According to E.Raymond Corey, “the product is the total package of benefits the customer receives when he buys.”

Product in service sector has acquired special status. It has become essential for achieving the survival and growth objective of the organisation. Product policy and strategy is the cornerstone of marketing mix. The product must satisfy consumer needs. Need describes the basic human requirement. These needs become wants when they are directed to specific objects that might satisfy the need. Demands are wants for specific products supported by ability to pay. The product management must understand the willingness and ability to pay to purchase the product. The Life Insurance Corporation of India has properly analysed whole life and endowment policies to meet the requirements of different segments although there is not much difference in their values and prices.

The product is successful if it delivers value and satisfaction to the customer. The value is a ratio between what the customer gets and what he gives. The customer gets benefits and assumes costs. Good products are key to market success. It is the vehicle by which a company provides consumer satisfaction. The LIC of India’s products fill the needs of society by providing investment and safety to the customers.
Product is a bundle of satisfaction. Since need is a feeling of lacking something, product must make up for the lacuna to satisfy the customers. The feeling may be related to attributes, benefits, ideas and concept itself. Product is defined as “to indicate that consumers are not really buying a set of attributes, but rather benefits that satisfy their needs”. It is more than a tangible good. “A product is a set of tangible and intangible attributes including packaging, colour, price, quality and brand, plus the seller's services and reputation. A product may be a good, service, place, person or idea. Consumers are buying much more than a set of physical attributes when they buy a product.” Product has also been described by Philip Kotler as “anything that can be offered to a market to satisfy a want or need.” The product concept is analysed under different products levels.

4.7.1 Product Levels

Product should be understood with its different levels. Each level of product satisfies some specific needs of the people. Each level of product has its significance. It has been divided into five levels such as core product, basic product, expected product, augmented product and potential product.
a) Core Level

The first level of the product is the benefit that customer wants to satisfy. The LIC of India has issued whole life policy as the core level of LIC of India's product as the benefit of safety. The investment and other benefits are secondary. The life Insurance policy provides elements of protection and investment. After getting insurance, the policyholder feels a sense of protection because he shall be paid a definite sum at the death or maturity. The product of LIC of India is life policy with various elements of protection and investment.

b) Basic Level

The basic level of the product comes after core-level. The prompt payment of the dues at the time of death or maturity comes under basic level. Investment is the
basic level of life policy as it provides an additional benefit of investment along with safety and security. Endowment policies serve basic level of the product.

c) **Expected Level**

At this level, customers expect a set of attributes of the product. The marketer provides the expected product level at some additional costs. LIC of India double accident benefit is provided by charging an extra premium. Similarly the soldiers, housewives, occupationally hazard prone employees and so on are given the policies by charging some extra premiums. Insurance of sub-standard lives by LIC of India should be increased to cover a larger population which would be not provided by other private insurers.

d) **Augmented Level**

The customers' expectations are augmented at this level. Customers expect to get prompt services from the LIC of India for assignment, nomination, transfer, loan and payment of claims at the time of maturity or death. It has been observed that many branch managers hand over the cheques of claims at the death of the insured to win over the confidence of the family-members. The attitude of the potential policyholders is changed at the augmented level. The LIC of India can meet the competition at this level by providing augmented services to the customers. Sometimes the augmented services are provided free of costs and at other places they bear certain costs. The Consumers' Affairs committee of LIC of India has stepped in this area.
e) **Potential Level**

The product encompasses all the possible augmentations and transformations. The LIC of India finds new ways to satisfy customers. It not only satisfies the customers but also delights them by surprise services. There is a three dimensional product concept such as explicit, implicit and external characteristics.

Product has certain explicit characteristics. They are core specification, related services, package and brand, product mix and product life cycle. The core specification includes shape, size, materials and colour. It is physical shape, nature of the product, service and or an idea. The related services include services as a part of selling agreement such as installation, repair service, operation instruction. Packaging has become an essential part of the product as it satisfies some needs of the consumers. Product mix is a particular product in relation to the other products from the same seller. It is a product design and distribution decisions to create market position that relates well with other products in the line. The sale of a product follows a general time pattern from the slow growth, faster growth, slower growth, peak and decline. It is well known as product life cycle. The LIC of India has evaluated the life cycle of different life policies to decide their continuation. The core specification incorporates two products of LIC of India such as Whole Life and Endowment.10
4.7.2 Products Offered

The following are the types of products offered by Life Insurance Corporation of India.

4.7.2.1 Whole Life Plans

(i) Whole Life Policy (Limited Payments –with Profits)

This is a low premium policy. It provides high-risk cover and financial security to the family. Premium payment ceases after a fixed term. The maturity amount will be paid to the nominee only on death of the policyholder.\(^{11}\)

(ii) Convertible Whole-Life Policy

This plan is very much useful for youngsters with low income in the beginning of their career. This plan is recommended for students awaiting study loans without burdening their parents. For the First Five Year of the policy, no bonus is payable.

4.7.2.2 Endowment Type Plans

(i) Endowment Policy

This is one of the most popular plans. It helps in fulfilling many long term and short-term financial needs. On survival sum assured plus bonus will be given for Table 14. The Table 14 deals with the sum assured on death of the assured and the accumulated bonus to the nominee nominated by the policyholder.
(ii) **Limited Payment Endowment Plan**

This is a flexible plan for the policyholder to select premium, paying term of his choice. Under this policy premium has to be paid for a fixed term. However the life risk coverage continues till the end of the policy term.

(iii) **Jeevan Mitra Policy (Double Cover), Jeevan Mitra Policy (Triple Cover)**

This is best suited for people who are insurance oriented and also want to provide a big sum insurance protection to their family, in case of their unfortunate death. These plans are most suitable for travelling persons like sales representatives, marketing executives and so on. If death occurs, two times of sum assured plus bonus is given to the nominee. On accidental death three times of sum assured plus bonus will be given to the nominee, nominated by the policyholder. Premium paid by the policyholder is very high.

(iv) **Jeevan Saathi**

This plan covers the life risk of both husband and wife under a single policy. It is issued only to working couple or wife should be an income tax assessee. On the death of either husband/wife, the survivor gets the sum assured immediately and further premiums are waived.

(v) **Marriage Endowment/Education Annuity Policy**

This type of policy is specially designed for Child’s Education/Marriage. On Maturity, the policyholder receives the sum assured plus bonus.
On the death of the policyholder before maturity; the policyholder can avail of the following benefits.

a) No amount will be paid by LIC of India to the nominee immediately.

b) Future premiums are waived.

c) Sum assured plus bonus is paid to the nominee, only on maturity.

(iv) New Janaraksha Policy

This plan is the suited for people with regular income and whose job is not secured. Example, farmers, milk vendors, petty businessmen and so on. Financial security for the family, in case of unfortunate death of the policyholder as risk is covered even during lapsed period of the policy (up to 3 years) after the premiums are paid for two years. This plan is not allowed to widows.

(vi) Jeevan Chhaya

This is the Right policy for a person who wants to provide funds for daughter’s marriage. 25 per cent of sum assured is given every year during the last 4 years of maturity to the policyholders. On maturity bonus of the full sum assured and final additional bonus if any is given along with the last 25 per cent balance of sum assured.

If the policyholder dies during the life of the policy, full sum assured is paid immediately to the nominee, and future premia are waived. Further 25 per
cent of sum assured every year during the last 4 years of maturity will also be paid.

(vii) Jeevan Griha

This plan is designed mainly aimed at people availing of housing loans, car loans, etc. On maturity only the sum assured is given to the policyholder. This policy is not eligible for bonus. It is an ideal plan to pledge as a collateral security for housing loan.

(viii) Jeevan Anand

This plan is a unique combination of whole life and Endowment Assurance plan. Under this plan a policyholder can avail of double benefit such as survival benefit and death benefit.

(ix) New Bima Kiran

This is a low cost policy with high-risk cover. On death due to accident, an additional amount equal to Basic Sum Assured is payable. On disability due to accident, basic sum assured in monthly instalment spread over 10 years is payable and future premiums are waived.

(x) Asha Deep II

This is a health insurance policy. This policy covers the following 4 major health ailments.
1) Cancer (malignant)

2) Paralytic Stroke

3) Renal failure of both kidneys

4) Coronary artery diseases where bye-pass surgery has been done.

In case of policyholder getting any of the above 4 health problems, the LIC of India provides the following benefits.

   a) 50 per cent of the sum assured is payable immediately.

   b) Further premiums are waived so that family will not suffer.

   c) 10 per cent of the sum assured is paid every year thereafter.

On maturity/early death 50 per cent of the sum assured plus bonus till maturity/death whichever is earlier, is paid.\(^{12}\)

(xi) **Jeevan Vishwas**

This plan is designed especially for the people who have handicapped dependents. Handicapped dependent should be a relative of the person. This plan deals with the sum assured on maturity of the assured and the accumulated guaranteed addition, and loyalty addition will be paid to the policyholder. On death of the policyholder, the sum assured plus accrued guaranteed addition plus loyalty addition, if any, is paid to the handicapped dependent.
(xii) **New Bima Nivesh**

Suitable for persons who want to invest a lump sum. They can expect a decent return besides availing of tax benefits. On maturity the sum assured plus compounded guaranteed addition plus loyalty addition will be given to the policyholder. On the death of the policyholder the sum assured plus bonus will be paid to the nominee.

**4.7.2.3 Money Back Plans**

(i) a) Money Back Policy - (20 Years)

b) Money Back Policy - (25 Years)

These are the best plans suited for businessmen and professionals. With the help of these policies the short term financial needs can be fulfilled. On death before the policy term ends, full sum assured plus accumulated bonus will be given to the nominee. The survival benefit already paid, if any is not deducted in case of death of the policyholder.

(ii) **Jeevan Surabhi**

This plan is an improved version of money Back Plan. For a policy of 15 years one has to pay premium only for 12 years. Similarly for a policy of 20 years one has to pay premium only for 15 years and for a policy of 25 years one is required to pay premium only for 18 years.
(iii) Jeevan Reha

This plan is a unique combination, whole life and money back plan. The plan offers both regular return all through the life and a life long cover. Survival benefit; every five years 10 per cent of the sum assured will be given to the policyholder. On death of the policyholder the sum assured plus bonus will be given to the nominee, of the policyholder.

(iv) Jeevan Bharathi

This is an exclusive plan for women. Survival benefit; every five years 20 per cent of the sum assured will be given to the policyholder. On maturity, sum assured plus Rs.60 per cent of the guaranteed addition will be given for the term of 15 years. On maturity sum assured plus Rs.40 per cent thousand guaranteed addition will be given to the policyholder for the term of 20 years.

4.7.2.4 Children’s Plans

(i) Jeevan Kishore

This policy is given on the life of the child male or female. The Child’s age should be between 1 and 12 years. Medical examination is not necessary upto 10 years of the child. On maturity the sum assured plus bonus, plus final additional bonus will be given to policyholder. On death of the life assured, sum assured
plus bonus plus final additional bonus if any is given to the nominee provided death occurs after the commencement of the risk.

(ii) Jeevan Suganya

This policy given on the life of a female child is the best gift. Female child’s age should be between 1 and 12 years. Plan is not allowed to physically handicapped children. On survival of the policyholder (girl) up to the end of premium paying term that is 20 years of the girl, full sum assured will be paid as survival benefit.

On maturity that is girl surviving till she reaches 50 years of age, bonus upto the age is paid. On death of the girl, after commencement of risk or before the maturity date, full sum assured with bonus is paid. After the marriage of the girl, husband’s life is also covered for the amount equal to the sum assured.

(iii) Komal Jeevan

This is the best plan for the future of the child. The minimum sum assured is Rs.1 lakh.

Sum assured will be paid in instalments as under

20 per cent on policy anniversary following attainment

20 per cent on policy anniversary of age 18

20 per cent on policy anniversary of age 22
20 per cent of policy anniversary of age 24

Rs.75 per thousand guaranteed addition will be added.

4.7.2.5 Pension Plans

The Life Insurance Corporation has introduced three special plans for retired people. The features of these plans are given below:

(i) New Jeevan Akshay (Immediate Annuity Plan)

This is the suitable plan for retired employees for one time investment. Also suitable for people who need regular and periodical amount without interruptions, young graduates, professionals or businessmen. Under this plan, investment (premium) to be made only once in the beginning. On death of the annuitant, pension ceases. Pension for life with a provision for 50 per cent of the pension to the spouse of the pensioner for life on the death of the pensioner. Minimum pension payable by LIC is Rs.250/- pm.

(ii) New Jeevan Suraksha

This is a with profit personal pension plan suitable for every one who wants to provide regular financial security for their family. The plan is most suitable for employees, businessmen and retired persons. Term rider option is available at extra premium only for annual premium policies. If the policy holder dies during the deferment period (premium paying term) PPT, while the policy in the force,
then the nominee will get term assurance sum assured along with all the premiums paid up to the date of policyholder’s death. Surrender value for single premium policy. About 90 per cent of the premium paid is given as surrender value after completion of two years from the date of the commencement of the policy but before the start of pension.

(iii) **New Jeevan Dhara**

This plan has been framed on the basis of New Jeevan Suraksha. The same procedure has been followed.

**4.7.2.6 Group Insurance Schemes**

The group schemes of LIC fulfill some very significant needs of employers that is companies, co-operative banks and credit societies, schools, hospitals. The brief description of the group schemes is presented below:

(i) **Group Gratuity Scheme**

The amount of contribution to the Gratuity Fund is tax deductible business expenditure of the company, which is charged toward expenses. The exact amount of funding can be as per the convenience of the employer, within the parameters of the scheme.

The gratuity fund earns attractive rate of return. The rate of accrual of interest on the gratuity fund for some representative amount in the year 2002-2003 is given below:
TABLE 4.1
Rate of Interest on the Gratuity Fund

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Gratuity Fund (Rs.)</th>
<th>Rate of Interest (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Below 25 Lakhs</td>
<td>8.25</td>
</tr>
<tr>
<td>2.</td>
<td>25 Lakhs–50 Lakhs</td>
<td>8.35</td>
</tr>
<tr>
<td>3.</td>
<td>50 Lakhs–75 Lakhs</td>
<td>8.45</td>
</tr>
<tr>
<td>4.</td>
<td>75 Lakhs – 1 Crore</td>
<td>8.55</td>
</tr>
<tr>
<td>5.</td>
<td>1 Crore – 2 Crores</td>
<td>8.70</td>
</tr>
<tr>
<td>6.</td>
<td>2 Crores – 5 Crores</td>
<td>8.85</td>
</tr>
<tr>
<td>7.</td>
<td>5 Crores – 10 Crores</td>
<td>9.00</td>
</tr>
<tr>
<td>8.</td>
<td>10 Crores– 20 Crores</td>
<td>9.10</td>
</tr>
<tr>
<td>9.</td>
<td>20 Crores – 50 Crores</td>
<td>9.20</td>
</tr>
<tr>
<td>10.</td>
<td>50 Crores – 75 Crores</td>
<td>9.30</td>
</tr>
<tr>
<td>11.</td>
<td>75 Crores – 100 Crores</td>
<td>9.40</td>
</tr>
<tr>
<td>12.</td>
<td>&gt; 100 Crores</td>
<td>9.50</td>
</tr>
</tbody>
</table>


For a small term assurance premium under group gratuity scheme LIC of India provides future service gratuity to the beneficiaries/heirs of employees who unfortunately die while in service. This is paid out of LIC of India’s funds (and not from the gratuity fund).

(ii) Group Saving Liked Insurance Scheme (GSLI)
Premium paid under group savings linked insurance scheme is eligible for tax rebate under section 88 of the Income Tax Act, 1961. The death claim paid or claim payment otherwise under the scheme is fully tax exempted.

(iii) Group Superannuation Scheme

The purpose of the group superannuation scheme is to provide pension benefits to employees. LIC of India provides interest accumulation on the fund and pensions at declared rates. In 2002-2003 the rate of interest on the superannuation fund ranged between 8.25 per cent to 9.5 per cent.

The rate of pension depends upon the type of pension opted for life pension, life pension with guarantee of 5, 10 or 15 years.\textsuperscript{13}

(iv) Jana Shree Bima Yojana and Shiksha Sahayog Yojana

The annual premium per pension is Rs.100 [for every such contribution the Government of India gives an equal contribution form the social security fund].

The individuals are provided a life insurance cover of Rs.20,000/- and accidental death cover of Rs.50,000/-. 

Under the Shiksha Sahayog Yojana the children of members of Jana Shree Bima Yojana who are studying in class 9\textsuperscript{th}, 10\textsuperscript{th}, 11\textsuperscript{th}, or 12\textsuperscript{th} are provided a quarterly scholarship of Rs.300/- (Rs.1,200/- in the year) for upto two children per
family. There is no premium charged for Shiksha Sahayog joyana, being a member of the Jana Shree Bima Yojana.

4.8 PRICING

Price is the exchange value of goods and services in terms of money. Pricing decisions have strategic importance in life insurance sector. “Pricing governs the feasibility of any marketing programme because it is the only element in a marketing mix accounting for demand and sale revenue. Price is the only variable factor that determines the revenue income”. A variety of economic and social objectives come into prominence in many pricing decisions.

Pricing decision interconnects marketing actions with the financial objectives of the enterprise. “Among the most important marketing variables influenced by pricing decisions are sales volume, profit margins, rate of returns on investment trade margins, advertising and sales promotion, product image new product development and so on. Therefore, pricing decisions play a very important role in the design of marketing mix.”

In the insurance business the pricing decisions are concerned with:

i. The premium charged against the policies

ii. Interest charged for defaulting the payment of premium and credit facility, and

iii. Commission charged for underwriting and consultancy activities.
With a view of influencing the target market or prospects the formulation of pricing strategy becomes significant. In a developing country like India where the disposable income in the hands of prospects is low, the pricing decision also governs the transformation of potential policyholders into actual policyholders.

The strategies may be high or low pricing keeping in view the level or standard of customers or the policyholders. The pricing in insurance is in the form of premium rates. The three main factors used for determining the premium rates under a life insurance plan are mortality, expense and interest. The premium rates are revised if there are any significant changes in any of these factors.

4.8.1 Mortality (deaths in a particular area)

When deciding upon the pricing strategy the average rate of mortality is one of the main considerations. In a country like South Africa the threat to life is very important as it is played by host of diseases.

4.8.2 Expenses

The cost of processing, commission to agents, reinsurance companies as well as registration are all incorporated into the cost of installments and premium sum and forms the integral part of the pricing strategy.

4.8.3 Interest

The rate of interest is one of the major factors which determine people’s willingness to invest in insurance. People would not be willing to put their funds to invest in insurance business if the interest rates provided by the banks or other
financial instruments are much greater than the perceived returns from the insurance premiums.

4.9 PLACE

Place mix means distribution of product or service or place of insurance. Service is the delivery of the right customer. It includes channels of distribution and inventory control. Distribution channels are divided into three heads namely wholesalers, retailers and mercantile agents. In LIC of India the wholesalers are like divisional officers, because they are the sanctioning authority for the branches. The policies were sold by the branches as like the retailers. Mercantile agent’s services are Development officers and LIC of India agents.

The concept of ‘place’ normally refers to the branch of the LIC of India. “The term place has undergone a sea change. The branch ambience has been transformed from a commercial, functional ambience to a customer friendly boutique ambience to enhance the value for the customer. ‘Place’ strategy has shifted from a transaction centre for the customer to experience and feel insurance, which will lead to customer delight”. The concept of place has shifted from the branch to ‘offsite locations’ where the strategy is to focus on customer convenience.

Convenience is an important criterion for a customer to choose his branch. LIC of India have to critically examine as to what extent, their delivery channels provide convenience for customers. ‘Place’ would comprise location of the
branches, parking space, customer space, customers’ support structure inside the office, sign board for easy identification of counters, products specific counters and so on. Today LIC of India has created alternative delivery channels for providing services. “New technological tools have redefined and expanded the scope of place in marketing. Customers access their policies through internet payments, Electronic clearing services ATMs and the like. Direct selling agents have emerged as another point of sale outlet. The design, layout and marketing orientation of these delivery channels are critical for effective marketing.

The insurance marketplace is undergoing a transformation that may eventually lead to significant changes in how consumers purchase insurance products. A variety of distribution channels are currently used in the market place and some insurers utilise a combination of distribution channels. These include the Internet-led channels, company led channels, bank-led channels and agent-led channels.

While it is true that insurance purchasers today have more options available than they did five years ago, it is unclear when these channels will dominate existing insurance distribution channels. Several obvious factors that impact on a channel’s adoption are consumer attitudes and preferences. In particular, it may be that consumers consider insurance products to be more complex than originally
thought. Consumers still do not view even personal lines insurance products to be commodity products.

The experience of insurance agents has been much different. Although there have been some changes in the areas of commissions and production requirements, agents continue to be the primary distribution channel for insurance products. To gain a better understanding of what factors tend to drive the adoption of one channel over another, it is helpful to examine some of the existing literature on innovation adoption and insurance distribution channels.

There are several factors that may explain the low rate of adoption of alternative distribution channels; it may in part reflect the consumers’ perception that insurance is a complex product. As noted earlier, complexity is one explanation why different distribution systems co-exist. Given the low adoption rates for sales through the life advisor, perceived complexity across insurance lines personal and commercial may continue to serve as a deterrent to adoption. If the advisor has to experience significant gains as a distribution channel, then perceptions regarding product complexity will have to change.

4.10 PROMOTION
In a service industry like insurance, banking, promotion assumes an important position. Promotion means ‘communication with the customer in order to strengthen his attitudes that are favourable to the LIC of India offering and change its attitudes which are unfavourable to the seller. These pre-suppose ensuring of such buyers becoming satisfied customers of the LIC of India now or later.

4.10.1 Promoting Insurance through Information Technology

a) Promoting Salary Saving Scheme (SSS) through I.T.

The salaried class forms the biggest most reliable market segment for the life insurer. IT Modules can be of immense help in administering/ managing the SSS portfolio effectively. An IT based module can establish direct contact with employer's salary office records and result in online, real time updation of premium payment status. These modules also help in launching new products, publicizing the service campaigns and other service alerts to the employees and employer too.

In the absence of an IT based system, the SSS segment would have been plagued, as the operations involve repetitive and laborious processes. With the help of internet, individual employees can be sent email alerts about premium updation, bonus intimations, lapse intimations, claims information and other service details by employing Auto Prompter E-mail Software.
b) Purity of Existing Data

Data purity is the qualitative and quantitative accuracy and consistency of information relating to a business activity. Reliability, adequacy, accuracy and consistency are the four pillars on which the edifice of data purity is built upon. Data purity, if properly planned and achieved, could prove to be a goldmine for the state insurers of LIC of India. During the past five decades, the state insurers had seen manual computing, back end processing and are now doing front end operations. Thus, transition from one to another technology poses problems to be coped up in the due course of time. Data purity enables sound decision-making. Data purity may affect mortality investigations, actuarial valuations and assessment of life fund. Data purity instils confidence in employees and spurs the trustworthiness of the organisation. Data impurities result from omission of periodic maintenance functions, software bugs, incompatibility between two systems, last minute pressure of work/chasing deadlines, missing links of information, failure of consistency checks and change in file size/structures.

c) The H.R. Factor

For any manufacturing process, three factors of production are required. They are men, machines and materials. Insurance being in the service sector has only two factors of production, namely men and machines. The performance of machines is influenced by the men designing software/engineering and
maintaining them. Thus, the HR factor plays a vital role in the success of a service industry like insurance. Boosting the morale and motivating the employees towards customer centric operations is the need of the moment. The attitudes, perceptions and mindset play a key role in the success of enthusiastic programmes of insurance companies. Human resource is the asset that is not shown on any balance sheet, but is a hidden asset. A mindset reengineering initiative is required to achieve the teamwork in realizing the organisational goals in the competitive environment. It is the employee who can convert a routine service operation into a delight for the customer.

Unless the internal customer is happy, no organization can expect to keep the external customers delighted. The knowledge and skill set of employees vary even within the same cadre/group. Soft skills, especially the word and spreadsheet processing, internet, email and related subjects are the minimum requirement in the current day customer service operations. The IT people are found to be lacking in subject expertise while the subject experts are lacking in IT skills. A blend of both the faculties could dramatically improve the performance of teams and render world class service. For imparting soft skills, on line and hands-on sessions are essential. Knowledge of fundamentals of office suites like MS Office, Star Suite coupled with basics of Linux/Unix operating system would enhance the comprehension levels of employees.
d) **Kinds of Promotional Activities of LIC of India**

Various promotional techniques are adopted by LIC of India both, for potential and existing customers. Promotion is basically an exercise in information, persuasion and communication. Promotional activities include advertising, personal selling and other selling tools intended to promote the sale of services. The following are the various promotional techniques of LIC of India.

e) **Mela**

Mela means ‘a festival’. Such melas are loan mela and festival mela proposed for a specified period. It is also a type of promotional activity in the LIC of India. It provides the details about the new policies to the policyholders. During the mela period the policyholders may get the full details about the policies.

f) **Stall**

The term stall refers to a shop opened by the LIC of India during the special or specific occasions like summer exhibitions or festival times. During this period, the LIC of India offers various pamphlets, brochures and advertisements. This type of promotional activity creates awareness in the customers and it gives an opportunity to know about the various innovative schemes introduced by the LIC of India. Theevu thidal stall is permanent one in Chennai. The LIC of India opens such a stall in Thamukkam ground during the Tamil month of Chitrai (April-May) in Madurai and thousands of people note the significance of the policies of LIC of India.

g) **Meet**
The LIC of India arranges for various meetings between different classifications or sectors of people. The branch manager provides valuable suggestions and advice to the policyholders who face problems in availing themselves of loan and advances. This LIC of India conducts monthly and quarterly meeting for the welfare of the policyholders.

Besides, the following are some of the promotional techniques adopted by the LIC of India to boost their marketing services.

1) Advertisement through papers and magazines
2) Advertisement through Radio and TV
3) Personal canvassing
4) Pamphlets and brochures
5) Ensuring good customer service
6) On line services
7) Online payments of premiums
8) Keeping the Agents and Development officers motivated
9) Cross selling technique
10) Festival offer to agents and development officers
11) Higher rate of commission to the agents and development officers.

The LIC of India has given advertisement through cut-outs, posters pamphlets and the like.
4.11 PEOPLE

The most important ‘p’ next to product in the marketing mix is people. There are two dimensions to the customers namely internal and external customers. The external customers are the ultimate customers whom the products have to reach and the internal customers are the staff through whom the products have to reach the external customers. The internal customer is the vital link between the product and the external customer. The internal customer translates the marketing strategies to ultimately culminate into business from the LIC of India. A proper approach to people strategy will go a long way in improving the marketing mix effectiveness of the other P’s. If the people are not handled properly, it will affect the effectiveness of other P’s. The important areas in which the LIC of India develops strategies for the internal and external customers are as follows.

4.11.1 External Customers

According to Mahatma Gandhi, “The customer is the most important visitor in our premises. He is not dependent on us. We are dependent on him. He is not an interruption of our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so.”

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The existence of the LIC of India depends on the policyholders. Without policyholders, the LIC of India cannot think of business. These necessities the LIC of India to have a customer-orientation. The orientation approach consists of the need of analysis of the policyholders and LIC of India’s effort to fulfill the needs for customer satisfaction.

The Profile of customer has considerably changed and gone are the days when uniform products on all-India basis will simultaneously suffice the needs of urban and rural customer. Traditionally, the customer is king and in practice, nothing could be further from the truth. The customer today is demanding quality and then becomes violent in case the expectations are not met. The changed customer expects quick response to his needs and high tech operations in meeting such requirements. Today’s customer in the liberalised privatised globalised (LPG) market is quite conscious of time saving cost effective latest information technological know-how.

4.11.2 Internal Customers

a) Agents

An agent is a primary source for procurement of insurance business and as such his role is the corner stone for building a solid edifice of any life insurance organisation. To effect a good quality of life insurance sale, an agent must be equipped with technical aspects of insurance knowledge, must possess analytical ability to analyse human needs, must be abreast of upto-date knowledge of merits
or demerits of other instruments of investment available in the financial market, must be endowed with a burning desire for social service and over and above all this, must possess and develop an undeterred determination to succeed as a life insurance salesman. In short he must be an agent with professional approach in life insurance salesmanship. Such an agency force is expected to be helpful not only in proper field underwriting but also after sales – servicing – concomitant and essential elements for higher retention of business.

5.4.12 Process

“Process involves all activities right from the product conception stage, to product designing and development down to its marketing at the branch level. It also includes the accounting procedure for putting through a transaction. LIC of India’s which are more focused on activity oriented have shifted to customers-oriented service delivery. This is mainly due to technological advances improvements in the process systems not only the automation of transactions, accounting procedures and data handling but also process reengineering to reduce delays in processing transactions that are applications’ clearing claims and so on.”

Process means “how we are able to actively convert the concepts into action. Based on this the LIC of India has introduced the concept of single window system, business process reengineering and other technology.
The process should be customer friendly in insurance industry. The speed and accuracy of payment is of great importance. The processing method should be easy and convenient to the customers. Installment schemes should be streamlined to cater to the ever growing demands of the customers. IT and Data Warehousing will smoothen the process flow.

It helps in servicing a large number of customers efficiently and bring down overheads. Technology can either complement or supplement the channels of distribution cost effectively. It can also help to improve customer service levels. The use of data warehousing management and mining helps to find out the profitability and potentiality of various customers product segments.

The process is one of the elements of the marketing mix which is the ultimate decider of marketing success. The effectiveness and innovativeness of the other ingredients of marketing mix can be successful only if the process strategy is properly designed and implemented.

Process refers to the flow mechanism from designing to delivery of the product to the customer. The designing may relate to different prescriptions and formalities for availing of the product to the point of reaching the customer. The success of the process strategy depends on the simplicity and user friendliness of the process and the pace of delivery of the product to the customer. If any of these three aspects are not taken care of, it will result in process deficiency and hence
may lead to rejection of the product even though other marketing mix elements are taken care of diligently, while marketing the product. Process gives the finishing and final touch for the success of the product. Information technology (IT) as process tool has gained significant importance in the past decade and changed the concept of LIC of India through branches.

The scope for process improvement is endless and process improvement strategies have to be adopted by the LIC of India based on their competency and their ability to enhance their competency to face the challenges emerging in the technology front. A good process strategy will follow naturally, if LIC of India recognises the importance of the technology and the emerging issues in the technology front.

“Insurance as a new process intermediary is the Direct Selling Associates (DSAs). Almost all foreign insurance companies and new private insurance companies effectively use Direct Selling Associates as a process tool to reach the retail and corporate customers, and complete the formalities for availing of asset and liability. Maintaining infrastructure like manpower, space, computer network telephone and so on will be the responsibility of the DSAs for a fee and commission for each transaction, resulting in cost reduction for LIC of India for the process.”

4.12.1 Flow of Activities
All the major activities of LIC of India follow IRDA Guidelines. There has to be adherence to certain rules and principles in the insurance operations. The activities have been segregated into various departments accordingly.

4.12.2 Standardisation

LIC of India has got standardised procedures and typical transactions. In fact not only all the branches of a single- LIC of India office, but all the LIC of India branches have some standardisation in them. This is because of the rules they are subject to. Besides this, each of the LIC of India branches has its standard forms,

4.12.3 Customisation

There are specialty counters at each branch to deal with customers of a particular scheme. Besides this the policyholders can select their policies among the available alternatives.

4.12.4 Simplicity

In LIC of India various functions are segregated. Separate counters exist with clear indication. Thus a customer wanting to pay insurance premium money goes to ‘premium payment’ counter and does not mingle elsewhere. This makes procedures not only simple but consume less time. Besides instruction boards in national boards in national and regional language help the customers further.
4.12.5 Customer Involvement

Online LIC of India does not involve any LIC of India employees. Besides, during usual insurance transactions, there is definite customer involvement at some or the other place because of the money matters and signature requires.\(^{19}\)

4.13 PHYSICAL EVIDENCE/ ATTRACTION

Physical evidence in service is similar to packaging for products. The ambience, decoration, air conditioning, dress code of the staff, cleanliness of the office, arrangement and colour scheme of furniture, and so on constitute physical attractions. These communicate positive or negative feelings to clients.

Physical attraction as a marketing mix strategy is developed on the premises that the LIC of India markets the tangible nature of insurance services without any physical form as a commodity, which poses a major challenge to the life insurance marketing strategies. Physical evidence strategy is primarily aimed at tangibilising the intangible nature of LIC of India services. The successful marketers are those who will be effectively changing the intangible nature of insurance services into tangible ones.

4.14 CONCLUSION

Insurance generally urges the branches to adopt more and more marketing techniques for achieving the goals. They are standardised by the Insurance
Regulation and Development Authority (IRDA). For subsidiary services, there are a little leverage of discretion for concessions. Hence for successful marketing of policies, LIC of India has to depend only on the efficiency and quality of services. In fact, LIC of India can do more business only by selling attractive and innovative schemes of policies. Selling focuses on the needs of the seller while marketing focuses on the needs of the buyer. Therefore, a marketing strategy emphasises the needs of the policyholders with a better system of services.
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CHAPTER IV

MARKETING STRATEGIES OF LIC OF INDIA

4.1 Introduction

4.2 Life Insurance Marketing in India

4.3 Pattern of Development in Life Insurance Markets

4.4 Government’s Stimulation of the Development of Life Insurance Sector

4.5 Life Insurance Marketing Strategies

4.6 Elements of Marketing Mix

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4.14 Conclusion